Albion PLC

Annual report

for the year ended 30 September 2002

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Our Background…

Albion was established in 1896 as a UK clothing manufacturing company, becoming a Public Company in 1965.

Our Strategy…

To combine on-going programmes of product development and design with the operation of an off-shore manufacturing base which ensures that the company remains internationally competitive in today's global trading environment.

Our Objectives…

Through the supply of tailored clothing to major UK multiple and chain-store outlets, serve the interests of our shareholders and employees, our customers and suppliers, and the communities in which we operate.

Albion PLC

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the One Hundred and Fourth Annual General Meeting of the Company will be held at the Rudding Park Hotel, Follifoot, Harrogate on 27 February 2003 at 12.00 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions:-

ORDINARY BUSINESS

1 Receive the report of the directors and the financial statements for the year ended 30 September 2002.

2 Declare a dividend.

3 Re-elect T Fulford as a non-executive director.

4 Re-elect MJ Myerscough as a non-executive director.

5 Re-elect TC Rogers as an executive director.

6 Re-appointment of auditors and to authorise the directors to fix their remuneration.

7 To renew the authority for the Company to buy back its own shares.

8 To transact any other business.

By order of the board

TC Rogers
Secretary

Maldon Street
BELFAST
BT12 6NZ

24 January 2003

Note 1 A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and on a poll to vote in his place. A proxy need not be a member of the Company.

Note 2 Directors' Service Contracts will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturday excluded) from the date of this notice until the day of the Annual General Meeting. They will also be available during the Annual General Meeting and for fifteen minutes before it begins.

Directors and advisers

Executive directors
CJ Wood (Managing)
TC Rogers ACA (Finance)

Non executive directors
T Fulford BA (Econ) (Chairman)
JR Fetherston
WA Moore FCA
MJ Myerscough

Secretary
TC Rogers ACA

Registered office
Maldon Street
Belfast
BT12 6NZ

Registered number
R16

Stockbrokers
Fyshe Horton Finney Limited
1 Park Lane
Leeds
LS3 1EP

Registrars
Computershare Services plc
P O Box 82
The Pavilions
Bridgewater Road
Bristol
BS99 7NH

Bankers
Barclays Bank PLC
25 St James Street
Harrogate
HG1 1QX

Solicitors
Walker Morris
Kings Court
12 King Street
Leeds
LS1 2HL

Independent Auditors
PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds
LS1 4JP

Chairman's statement

Results

Turnover at £17.929m was only marginally less than the previous year (£18.544m). Although sales volumes have been maintained, this reflects the continuing downward pressure on selling prices.

The operating profit fell from £323,000 last year to £293,000. It should be noted that this operating profit is after charging £339,000 of pension costs compared to £266,000 in the prior year.

The share of profits from our associated companies in Morocco increased, as did interest receivable, giving a total profit before tax of £533,000 compared to £479,000 last year.

The dividend received from our associated companies last year was £107,000 and in 2002/03 we anticipate £125,000.

The directors are recommending a final dividend of 4.7p making a total for the year of 5.5p.

Funding of Pensions

In view of the considerable cost involved the company closed its defined benefits scheme to new members in July 2000. The deficit in the scheme currently is evaluated at £2.034m which represents 27% of shareholders funds. This deficit is largely due to the current depressed state of the stock market and is not unique to the Albion Pension Fund.

Share Buy-back

In October 2002 the company bought one hundred thousand shares on the open market for cancellation under the authority granted at the AGM last year. We are seeking a renewal of that authorisation at the AGM.

People

Michael Myerscough, the Sales and Marketing Director retired from executive duties in July and he has been invited to join the board as a non-executive director so that his considerable experience can continue to be applied to the company's benefit. You will be asked to ratify this appointment at the AGM.

For the foreseeable future the managing director, Chris Wood, making effective use of his executive management team, will integrate the management of the sales function into his other duties.

Prospects

Whilst competition in the marketplace remains severe we shall continue to strive to maintain market share at profitable margins. This may well require a strategic shift in garment sourcing with the need to place more production further afield in order to achieve more competitive pricing for those customers who are prepared to accept longer lead times. There are implications in this for our associate companies in Morocco which will, of course, be kept under review.

T Fulford
Chairman
24 January 2003

Directors' report
for the year ended 30 September 2002

The directors present their report of the Group and the audited financial statements for the year ended 30 September 2002.

Review of the business

The principal activities of the Group consist of the manufacture and distribution of tailored menswear.

A review of the Group's business during the financial year and indications of its likely future development are contained in the Chairman's statement.

Results and dividends

The Group's operating profit amounted to £293,000, compared with £323,000 for the previous year. The profit for the year attributable to shareholders amounted to £429,000 (2001: £460,000) and is dealt with as shown in the consolidated profit and loss account. During the year an interim dividend of 0.8p per share was paid. The directors recommend a final dividend of 4.7p per share making a total dividend of 5.5p per share for the year. Subject to the approval of the shareholders, the final dividend will be paid on 12 March 2003 to those shareholders registered at the close of business on 14 February 2003.

Corporate governance

The board of directors believes that the business of the Group should be conducted according to the highest legal and ethical standards, and is committed to a system of sound corporate governance. The board has considered the Principles of Good Governance and the Code of Best Practice set out in section 1 of the Combined Code issued by the London Stock Exchange in June 1998 (the associates have not been dealt with as part of the group for the purposes of applying this guidance) and has sought to apply the principles of the Combined Code and comply with the provisions of the Code of Best Practice where this has been practical for a group of Albion's size and status.

The following paragraphs, together with the report of the remuneration committee on pages 11 and 12, demonstrate how the principles of the Combined Code have been applied. Details are also provided below of specific provisions of the Code of Best Practice which have not been complied with during the year.

The activities of the Group are ultimately controlled by the board which currently consists of two executive directors and four non-executive directors. The board normally meets quarterly and the management team meet monthly to review current trading and key business decisions. These meetings are attended by executive and non-executive members. The board has a formal schedule of matters specifically reserved to it for decision. It is supplied with timely and relevant information to enable it to properly discharge its duties.

In furtherance of the principles of good corporate governance, the Board has appointed a remuneration and finance committee which have written constitutions and terms of reference.

Remuneration Committee
The remuneration committee meets at least once a year and determines the terms and conditions including annual remuneration and bonus awards of the executive directors. Membership consists of three non-executive directors and the committee is chaired by T Fulford.

Finance Committee
The finance committee deals with financial and other matters and meets with the auditors once a year. The committee comprises two executive directors and the Chairman. The committee is chaired by T Fulford.

The appointment of all directors of the Company is made by the full board through a formal process.

Compliance with the provisions of the Code of Best Practice
Other than in relation to the matters noted below the board considers that all of the provisions of the Code of Best Practice have been complied with during the year.

- No senior independent director, nomination committee or audit committee

  Given the size of the Company and the present composition of the board, the directors have decided that it is not appropriate to nominate one of the non-executive directors as a senior independent director. New directors' appointments are made by the full board through a formal process. Similarly, the board does not consider it necessary to have a separate audit committee. The Finance Committee monitors the application of the financial reporting and internal control principles of the Code, including relationships with the Company's auditors.

Internal controls

The board is responsible for the Group's system of internal controls. It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for an internal audit function and concluded that it was not appropriate, having considered the size of the Company and the adequacy of the systems and controls in place. The key features of the systems which have been established are as follows:

Control environment

The Group's control environment is the responsibility of the Group's directors and managers at all levels. The Group's organisational structure has clear lines of responsibility.

Information systems and financial reporting

The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual out-turn to budget. Management financial statements are compiled on a monthly basis. Variances from plan are thoroughly investigated and revisions to forecasts are made. Cash flow forecasts are prepared on a regular basis to ensure that the Group has adequate funds and resources for the foreseeable future. The Finance Committee reviews financial statements to be published externally to ensure they provide a meaningful appraisal of the Group's performance and period end position.

Main control procedures

Management establishes control procedures in response to any key risks identified and reports whether its key controls have functioned effectively. Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements. The board has established clearly defined procedures for authorisation of capital expenditure.

Monitoring system used by the board

The board reviews and approves budgets and monitors the Group's performance against those budgets monthly. Variances from the expected outcome are investigated fully and where lapses in internal control are detected, these are rectified. The Group's cash flow is also monitored monthly compared to forecast. The board has embarked on a continuous process of considering the major business risks and the control environment and of reviewing the effectiveness of the system of internal control. The external auditors also report to the board on any deficiencies in internal control they detect during their audit work and appropriate corrective action is taken.

Shareholder relations

All shareholders are welcome to attend the Annual General Meeting and the board encourages the participation of private investors.

Going concern

The board has reasonable expectations, after having made appropriate enquiries, that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, the board continues to adopt the going concern basis in preparing the financial statements.

The Directors have access to the advice of the Company Secretary, and to external advice, if required, at the company's expense.

Directors

The directors of the Company at the date of this report are as listed on page 4.

On 1 October 2001 TC Rogers was appointed as an executive director of the company. TC Rogers retires in accordance with the Articles of Association and will be proposed for re-election. On 9 July 2002 MJ Myerscough retired as an executive director and became a non-executive director thereafter. MJ Myerscough pursuant to Article 94 of the Articles of Association of the Company offers himself for re-election.

Executive directors

CJ Wood (age 47) - Appointed managing director on 1 April 2001
Appointed executive director 23 February 1995
Joined the company on 16 August 1976

TC Rogers (age 40) - Appointed executive director on 1 October 2001
Joined the company on 15 January 2001
Formerly head of finance for GRP Group

Non-executive directors

T Fulford BA(Econ) (age 70) - Appointed Chairman on 4 March 1999
Elected director in 1983
Independent Management Consultant since 1984
Formerly associate director Inbucon Management Consultants Limited

JR Fetherston (age 61) - Retired as managing director and from executive duties on 30 March 2001
Appointed joint managing director in June 1975
Sole managing director from 1983
Appointed executive director on 13 June 1968
Joined the company on 22 September 1958

WA Moore (age 60) - Retired from executive duties on 30 September 2001
Appointed executive director on 3 December 1980
Joined the company on 1 October 1971

MJ Myerscough (age 60) - Retired from executive duties on 9 July 2002
Appointed executive director on 16 March 1983
Joined the company on 1 June 1961

Directors and their interests

Beneficial interests

The directors' interests in the share capital of the Company are as follows:

			Ordinary shares of £0.20 each at 30 September 2002	30 September 2001
JR Fetherston	-	Beneficial	**178,501**	178,501
WA Moore	-	Beneficial	**14,500**	14,500
MJ Myerscough	-	Beneficial	**295,213**	295,213
CJ Wood	-	Beneficial	**21,000**	21,000
TC Rogers	-	Beneficial	**500**	500
T Fulford	-	Beneficial	**-**	-

None of the directors held share options in the company at 30 September 2002.

On 30 September 2002 JR Fetherston was a beneficial trustee of a discretionary trust which held 70,000 Albion ordinary shares (2001 – 77,500).

During the period from the end of the financial year to 24 January 2003 there were the following changes in the directors' interests;

On 7 October 2002 MJ Myerscough purchased 9,100 ordinary shares from the discretionary trust.
On 28 October 2002 TC Rogers purchased 500 ordinary shares in the name of J Rogers.

The Company's register of directors' interests (which is open for inspection) contains full details of directors' shareholdings.

Non-beneficial holdings

JR Fetherston and WA Moore are non-beneficial trustees of the Albion Employee Benefit Trust, which held 160,500 shares at 30 September 2002 (2001: 160,500).

Contracts of significance

No contract of significance in relation to the Group's business in which any director had an interest subsisted at any time during the year.

Interests in share capital

At 24 January 2003 substantial interests in the share capital were:	**Shares**	**%**
AG Investments Limited	**130,000**	**3.6**
Albion Employee Benefit Trust	**160,500**	**4.4**
DA Creighton	**260,000**	**7.1**
GG Fetherston	**191,750**	**5.3**
JR Fetherston	**178,501**	**4.9**
Kegal International Corporation	**155,000**	**4.2**
MJ Myerscough	**304,313**	**8.3**
Value Investments Limited	**322,000**	**8.8**

The directors are not aware of any other shareholdings which represent 3% or more of the issued share capital of the Company.

Creditor payment policy

It is the policy of the Company and the Group to agree appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

The number of days' purchases outstanding at 30 September 2002 was 20 days (2001 - 26 days).

Political and charitable contributions

Charitable contributions during the year amounted to £400 (2001: £100).

The Group made no political donations during the year (2001: nil).

Employees

The policy of the Company and the Group is to consult and discuss with employees those matters likely to affect employees' interests.

The policy of the Company and the Group is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, whenever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Company and Group for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

TC Rogers ACA
Secretary
24 January 2003

Report of the remuneration committee

The committee

The remuneration committee consists of three non-executive directors, namely Mr T Fulford, Chairman, Mr JR Fetherston and Mr WA Moore.

Compliance

The committee has given full consideration to those principles and provisions of the Combined Code which relate to directors' remuneration.

Executive policy

The committee aims to ensure that remuneration packages are sufficient to attract, hold and motivate executive directors. Remuneration packages are reviewed annually.

Executive remuneration

The main elements of executive remuneration are as follows:

Basic salary

In determining basic salaries, consideration is given to levels in comparative companies. As with other employees, increases are normally annual and relate closely to the current rate of inflation.

Performance related bonuses

Bonuses are contractual and are payable on profits achieved by the Group over an agreed base figure. The pensionable nature of the bonuses provides additional incentive for the directors to perform at the highest levels.

Benefits in kind

In addition, executives are provided with the use of a company car and personal medical cover, together with other smaller benefits in line with normal company practice. Benefits in kind are not pensionable.

Pension

Of the executive directors at 30 September 2002, only CJ Wood was a member of the Albion Limited Pension Scheme. The Scheme is a contributory, Inland Revenue approved, final salary scheme providing a pension for directors of two-thirds of pensionable salary at age 60.

TC Rogers who was appointed to the board on 1 October 2001 participates in the company defined contribution scheme.

Long term benefits

The committee believe that share ownership by directors and employees strengthens the link between their personal interests and those of shareholders. This is achieved through the operation of the Company's share option plan which consists of approved and unapproved schemes.

Options under these schemes will be granted on the recommendation of the remuneration committee. Options may be granted over unissued shares or shares held in a trust. Options granted will be subject to such objective performance conditions as the committee sees fit and which must be fulfilled before the options can be exercised.

Directors' share options

None of the directors held share options in the company at 30 September 2002 (2001: nil).

Service agreements

Currently the managing director has a three year rolling service contract with the company. The Remuneration Committee consider that it is inappropriate to seek to renegotiate the contract length as this would involve making payments to alter the contract terms. The finance director has a one year rolling service contract. All such contracts terminate when the director in question reaches age 60. The length of service contracts continues to be reviewed by the Committee. The Committee, where it considers it to be appropriate, applies the principle of mitigation to any compensation payable on the termination of service contracts.

Non-executive directors

The remuneration of the non-executive directors is determined by the board. As with other employees, increases are normally annual and comply with the National Wage Award for the industry.

Non-executive appointments are subject to election and re-election at the relevant Annual General Meeting.

Non-executive directors do not have service agreements, nor do they receive grants under the executive share option scheme. Their remuneration is non-pensionable.

Directors' remuneration

Details of individual directors' remuneration are set out in note 6 to the financial statements.

T Fulford
Chairman
Remuneration Committee
24 January 2003

Consolidated profit and loss account
for the year ended 30 September 2002

	Notes	**2002** **£'000**	2001 £'000
Turnover	2	**17,929**	18,544
Cost of sales		**(15,574)**	(16,206)
Gross profit		**2,355**	2,338
Distribution costs		**(1,169)**	(1,194)
Administrative expenses		**(893)**	(821)
Operating profit		**293**	323
Share of operating profits of associated undertakings		**155**	126
Amounts written off investments - reversal	12(c)	**20**	-
Net interest receivable	3	**65**	30
Profit on ordinary activities before taxation	4	**533**	479
Tax on profit on ordinary activities	7	**(104)**	(19)
Profit for the financial year		**429**	460
Dividends	9	**(193)**	(212)
Retained profit for the financial year	23	**236**	248
Earnings per share and dividends			
Basic and fully diluted earnings per share	10	**11.95p**	12.82p
Dividends per share	9	**5.50p**	5.90p

All amounts above relate to continuing operations.

The Group has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheets at 30 September 2002

		Group		Company	
		2002	2001	**2002**	2001
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Tangible assets	11	**697**	705	**697**	705
Investments	12	**1,045**	983	**814**	794
		1,742	1,688	**1,511**	1,499
Current assets					
Stocks	13	**2,060**	2,377	**2,060**	2,377
Debtors	14	**3,216**	3,732	**3,216**	3,732
Investments	15	**2,000**	1,466	**2,000**	1,466
Cash at bank and in hand		**214**	105	**213**	105
		7,490	7,680	**7,489**	7,680
Creditors: amounts falling due within one year	16	**(1,563)**	(1,979)	**(1,564)**	(1,981)
Net current assets		**5,927**	5,701	**5,925**	5,699
Total assets less current liabilities		**7,669**	7,389	**7,436**	7,198
Creditors: amounts falling due after more than one year	17	**-**	(11)	**(15)**	(26)
Provisions for liabilities and charges	21	**(92)**	(36)	**(92)**	(36)
Net assets		**7,577**	7,342	**7,329**	7,136
Capital and reserves					
Called up share capital	22	**750**	750	**750**	750
Profit and loss account	23	**6,827**	6,592	**6,579**	6,386
Equity shareholders' funds	23	**7,577**	7,342	**7,329**	7,136

The financial statements on pages 13 to 36 were approved by the board on 24 January 2003 and were signed on its behalf by:

T Fulford CJ Wood

Directors

Consolidated cash flow statement
for the year ended 30 September 2002

	Notes	**2002**	2001
		£'000	£'000
Net cash inflow from operating activities	26	**737**	2,007
Dividends received from associated undertakings		**107**	152
Returns on investments and servicing of finance			
Interest received		**88**	19
Interest paid		**(1)**	(5)
Interest element of finance lease rentals		**(4)**	(7)
		83	7
Taxation			
Taxation paid		**(40)**	(34)
Taxation refund		**67**	10
		27	(24)
Capital expenditure and financial investments			
Purchase of fixed assets		**(91)**	(65)
Net proceeds on sale of tangible fixed assets		**9**	2
		(82)	(63)
Equity dividends paid		**(213)**	(165)
Net cash inflow before management of liquid resources and financing		**659**	1,914
Management of liquid resources			
Increase in short term deposits		**(534)**	(1,466)
Financing			
Capital repayment of finance lease		**(28)**	(28)
Increase in cash in the year	27,28	**97**	420

Notes to the financial statements for the year ended 30 September 2002

1 Accounting policies

These financial statements have been prepared under the historical cost convention, and in accordance with Accounting Standards applicable in the United Kingdom. The directors consider that the accounting policies set out below are appropriate, and are supported by reasonable and prudent judgements and estimates. A summary of the more important Group accounting policies which have been applied consistently (with the exception of the impact of the adoption of FRS19: Deferred Tax) is set out below.

During the year the Group has adopted FRS 19: Deferred Taxation. The adoption of this standard has not had an impact on the Group's reported results. The additional disclosures required by FRS 19 have been included in note 7 to the accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiary undertakings and associated undertakings. Associated undertakings are accounted for using the equity method. The Group's share of the results of the associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet.

Revenue recognition

Turnover represents the invoiced value of goods supplied by the Group exclusive of VAT and intergroup transactions and is net of sales returns. Revenue is recognised upon shipment of goods, which is when title to the goods is transferred to the customer.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Freehold land is not depreciated. The cost of other fixed assets is written off by equal annual instalments over the entire expected useful lives of the assets as follows:

Freehold buildings	-	30 years
Plant, office equipment and fittings	-	3 - 10 years
Motor vehicles	-	5 years

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows.

Stocks

Stocks are valued at the lower of cost and net realisable value. In the case of goods for resale, cost comprises direct materials, direct labour and an appropriate proportion of fixed and variable overheads. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Company

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction; monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. Exchange differences thus arising are reported as part of the results for the year.

Group

The group has adopted the temporal method for consolidating the results of associates. Under this method, profit and loss account items are translated at the average rate of exchange ruling during the year. Assets and liabilities are translated at the rate of exchange ruling at the year end date. Exchange differences resulting from the translation of assets and liabilities of foreign currency denominated associates, together with those differences resulting from the restatement of profits and losses from average to year end rates are taken directly to reserves. All other exchange differences are taken directly to the profit and loss account.

Pension costs

The Group operates a defined contribution scheme for specific directors and employees. Contributions are charged to the profit and loss account in the period to which they relate. The Group operates a defined benefit scheme for those directors and employees not covered by the above scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The accounting requirements of FRS 17: Retirement Benefits will have to be implemented in full for the year ended 30 September 2005. FRS 17 requires a surplus or deficit in a pension scheme (measured with reference to the fair values of the scheme assets and actuarially valued liabilities) to be shown on the employer's balance sheet. Changes in those fair values from year to year will be reflected in the profit and loss account or statement of total recognised gains and losses as appropriate. Disclosures required under the transitional arrangements of FRS 17 are provided in note 25 to these financial statements.

Employee Benefit Trust

The assets of Albion Employee Benefit Trust, which is an Employee Share Ownership Plan Trust financed by the Company, has been incorporated within the Company's balance sheet under the appropriate categories.

Leasing commitments

Assets held under finance leases are capitalised and the capital element of the lease commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged against profit in proportion to the reducing capital element outstanding. The rental costs in respect of operating leases are charged to the profit and loss account in the periods to which they relate.

2 Turnover

The Group's results are all derived from one class of business.

	2002	2001
	£'000	£'000
Turnover by geographical destination		
United Kingdom and Europe	**17,929**	18,544

3 Interest receivable and payable

	2002 £'000	2001 £'000
Bank interest receivable	**70**	40
Interest payable on bank overdrafts and loans	**(1)**	(1)
Other interest payable	**-**	(2)
Finance charges payable under finance leases	**(4)**	(7)
	(5)	(10)
Net interest receivable	**65**	30

4 Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
This is stated after charging:		
Depreciation		
– owned assets	**86**	81
– under finance leases	**6**	18
Auditors' remuneration		
– audit services (company £17,000 (2001: £17,000))	**27**	18
– non audit services	**12**	16
Operating lease rentals	**47**	57
Profit on sale of fixed assets	**2**	-

5 Employee information

	2002 £'000	2001 £'000
Staff costs		
Wages and salaries	**868**	1,069
Social security costs	**82**	100
Pension costs:		
Defined benefit scheme	**295**	231
Defined contribution scheme	**44**	35
	1,289	1,435

	2002 Number	2001 Number
Average monthly number of persons employed by the Group (including directors) during the year by activity		
Administration staff	**36**	41
Other	**4**	4
	40	45

6 Directors' emoluments

	Salary £'000	Benefits £'000	Annual bonus £'000	Fees £'000	Un-funded pension £'000	Total 2002 £'000	Total 2001 £'000
Executive directors:							
CJ Wood	80	8	14	-	-	**102**	93
TC Rogers	55	8	9	-	-	**72**	-
MJ Myerscough	46	6	8	-	-	**60**	76
WA Moore	-	-	-	-	-	-	76
JR Fetherstone	-	-	-	-	-	-	46
Non-executive directors:							
T Fulford	-	1	-	22	-	**23**	23
JR Fetherston	-	1	-	7	-	**8**	4
WA Moore	-	1	-	7	-	**8**	-
MJ Myserscough	-	-	-	4	-	**4**	-
EJ Wood	-	-	-	-	-	-	9
Total 2002	**181**	**25**	**31**	**40**	**-**	**277**	
Total 2001	229	37	26	31	4		327

The pension entitlements of the directors under the defined benefit pension scheme are as follows:-

	Age	Years of service	Increase in accrued pension during the year £'000	Accumulated total accrued pension at 30 September 2002 £'000
MJ Myerscough	60	40	1	**42**
CJ Wood	47	25	3	**32**

The accumulated accrued pension entitlement is the annual pension payable on retirement based on service to 30 September 2002 and the increase in accrued pension is the amount this has increased during the year.

In relation to two former directors and a former director's spouse, unfunded pension amounting to £44,000 (2001: £31,000) was paid during the year.

7 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
UK corporation tax – current year at 19.5% (2001: 21%)	**40**	39
UK corporation tax – prior year	**2**	(63)
Associated undertakings corporation tax	**6**	7
	48	(17)
Deferred tax	**56**	36
	104	19

7 Tax on profit on ordinary activities (continued)

The tax charge for the year is lower (2001: lower) than the rate of corporation tax in the UK 19.5% (2001: 21%). The differences are explained below:

	2002	2001
	£'000	£'000
Profit on ordinary activities before tax	**533**	479
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2001: 21%)	**104**	101
Effects of:		
Adjustments to tax in respect of prior period	**2**	(63)
Adjustment in respect of foreign tax rates	**(2)**	(16)
Other timing differences	**(30)**	(41)
Expenses not deductible for tax purposes	**(20)**	8
Capital allowances in excess of depreciation	**(6)**	(6)
	48	(17)

b) Factors that may affect future tax charges

Currently the group benefits from the small companies rate of corporation tax. Dependent upon future profitability the group may be subject to tax at the full UK rate of 30%.

8 Profits of holding company

Albion PLC has not presented its own profit and loss account as permitted by Article 236 of the Companies (Northern Ireland) Order 1986. The amount of the consolidated profit for the financial year dealt with in the financial statements of the holding Company is £387,000 (2001: £494,000).

9 Dividends

	2002	2001
	£'000	£'000
Paid and proposed:		
Ordinary – Interim dividend of 0.8p per share paid (2001: 0.8p)	**30**	30
Ordinary – Final dividend proposed 4.7p per share (2001: 5.1p)	**171**	191
Total ordinary dividend on equity shares	**201**	221
Less amounts in respect of shares held by Albion Employee Benefit Trust	**(8)**	(9)
	193	212

10 Earnings per share

Earnings per ordinary share is based on profit for the financial year of £429,000 (2001: £460,000) and on 3,589,500 ordinary shares (2001: 3,589,500), the weighted average number of shares in issue during the year, excluding those held in the employee share trust which are treated as cancelled. There is no difference between basic earnings per share and diluted earnings per share for both years stated.

	2002 Pence per share	2001 Pence per share
Earnings per ordinary share	**11.95**	12.82

11 Tangible fixed assets

Group and Company	Freehold land and buildings £'000	Plant, office equipment, fittings and motor vehicles £'000	Total £'000
Cost			
At 30 September 2001	531	486	1,017
Additions	-	91	91
Disposals	-	(42)	(42)
At 30 September 2002	**531**	**535**	**1,066**
Depreciation			
At 30 September 2001	108	204	312
Charge for year	13	79	92
Disposals	-	(35)	(35)
At 30 September 2002	**121**	**248**	**369**
Net book value			
At 30 September 2002	**410**	**287**	**697**
At 30 September 2001	423	282	705

The net book value of tangible fixed assets includes an amount of £6,000 in respect of assets under finance leases (2001: £28,000). The depreciation charge for the year for assets held under finance leases was £6,000 (2001: £18,000).

12 Fixed asset investments

Group	2002 £'000	2001 £'000
Associated undertakings (a)	**532**	490
Loan to associated undertaking (b)	**415**	415
Own shares (c)	**98**	78
	1,045	983

(a) Associated undertakings

Share of net assets

	£'000
At 30 September 2001	490
Share of profits of associated undertakings	155
Taxation	(6)
Dividend received	(107)
At 30 September 2002	**532**

12 Fixed asset investments (continued)

Additional disclosures for associated undertakings (which in aggregate exceed the 15% threshold and which individually exceed the 25% threshold).

	Alyco SA 2002 £'000	**Alyco 2 SA 2002 £'000**	**Total 2002 £'000**	Alyco SA 2001 £'000	Alyco 2 SA 2001 £'000	Total 2001 £'000
Share of turnover of associated undertaking	**1,101**	**557**	**1,658**	870	493	1,363
Share of profit before tax	**113**	**42**	**155**	134	(8)	126
Share of taxation	**(6)**	**-**	**(6)**	(7)	-	(7)
Share of profit after tax	**107**	**42**	**149**	127	(8)	119
Share of assets						
Share of fixed assets	**209**	**555**	**764**	220	609	829
Share of current assets	**411**	**130**	**541**	351	89	440
	620	**685**	**1,305**	571	698	1,269
Share of liabilities						
Liabilities due within one year	**(206)**	**(154)**	**(360)**	(142)	(136)	(278)
Liabilities due after one year	**-**	**(305)**	**(305)**	-	(377)	(377)
	(206)	**(459)**	**(665)**	(142)	(513)	(655)
Exchange difference on translation	**69**	**72**	**141**	55	72	127
Discount arising on acquisition	**(115)**	**(134)**	**(249)**	(116)	(135)	(251)
Share of net assets	**368**	**164**	**532**	368	122	490

	2002 £'000	2001 £'000
(b) Loan to associated undertaking	**415**	415

The loan to associated undertaking, Alyco 2 SA, is unsecured, interest free and repayable in instalments by 30 September 2008.

12 Fixed asset investments (continued)

		£'000
(c)	Own shares	
	Cost	
	At 30 September 2001 and 30 September 2002	**98**
	Provisions for diminution in value	
	At 30 September 2001	20
	Reversal of provision	(20)
	At 30 September 2002	**-**
	Net book value	
	At 30 September 2002	**98**
	At 30 September 2001	78

"Own Shares" represent 160,500 20p ordinary shares held in the Company by Albion Employee Benefit Trust.
The Albion Employee Benefit Trust was established in July 1988 financed by a loan from the Company which has been repaid through dividend income. The trustees are JR Fetherston, WA Moore and C Wood. It is a discretionary trust for the benefit of employees of the group, including directors. Dividends have not been waived by the Trust. The Trust's dividend income is included in the group's profit and loss account by way of reduction of the total dividend charge. At the year end 160,500 (160,500) shares held by the Trust were valued at £128,000 (2001: £96,000). Other income and costs of the Trust are incorporated into the financial statements where applicable. No cash was held by the Trust at 30 September 2002 (2001: £66).

Company	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Loan to associated undertaking £'000	Own shares £'000	Total £'000
Cost					
At 30 September 2001 and 30 September 2002	**23**	**399**	**415**	**98**	**935**
Provisions for diminution in value					
At 30 September 2001	-	121	-	20	141
Reversal of provision	-	-	-	(20)	(20)
At 30 September 2002	**-**	**121**	**-**	**-**	**121**
Net book value					
At 30 September 2002	**23**	**278**	**415**	**98**	**814**
At 30 September 2001	23	278	415	78	794

The investments at 30 September 2002 were:-

Name	Country of incorporation	Nature of business	Proportion of voting rights and ordinary shares held by Company
Associated undertakings			
Alyco SA	Morocco	Manufacturer of trousers	40%
Alyco 2 SA	Morocco	Manufacturer of jackets	40%
Subsidiary undertakings			
AM Logistics Sarl	Morocco	Dormant	100%
Copeland Clothes Limited	Northern Ireland	Dormant	100%
Kilmaine Clothes Limited	Northern Ireland	Dormant	100%

Ultimate control over the operations of Alyco SA and Alyco 2 SA rests with local management in Morocco. The shares held in Alyco SA have been pledged as security for bank borrowings by Alyco 2 SA.

13 Stocks

	Group and Company	
	2002	2001
	£'000	£'000
Raw materials and consumables	**1,427**	1,511
Goods for resale	**633**	866
	2,060	2,377

14 Debtors

	Group and Company	
	2002	2001
Amounts falling due within one year	**£'000**	£'000
Trade debtors	**2,576**	3,337
Amounts owed by associated undertakings	**204**	81
Corporation tax recoverable	**-**	64
Other debtors	**7**	30
Prepayments and accrued income	**429**	220
	3,216	3,732

15 Current asset investment

At 30 September 2002 sterling cash deposits were £2,000,000 (2001: £1,466,000). The balance comprises term deposits placed on money markets at monthly fixed rates.

16 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Bank overdraft - note 18	**16**	4	**16**	2
Obligations under finance leases - note 20	**12**	29	**12**	29
Trade creditors	**526**	1,095	**526**	1,095
Amounts owed to Group undertakings	**-**	-	**7**	9
Amounts owed to associated undertakings	**352**	211	**352**	211
Taxation and social security	**241**	209	**241**	209
Corporation tax	**44**	39	**44**	39
Accruals and deferred income	**201**	201	**195**	196
Proposed dividend	**171**	191	**171**	191
	1,563	1,979	**1,564**	1,981

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Obligations under finance leases - note 20	**-**	11	**-**	11
Amounts owed to Group undertakings	**-**	-	**15**	15
	-	11	**15**	26

18 Borrowings

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts – amounts falling due:				
In one year or less or on demand	**16**	4	**16**	2

The Company's borrowings are secured by a legal mortgage over the Company's freehold land and buildings, a floating charge over the Company's assets and a fixed charge over Company book debts.

19 Financial instruments

Short term debtors and creditors that meet the definition of a financial asset or liability respectively have been excluded from all FRS 13 analysis as permitted by the standard.

Group policy

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings, as required. As the need to raise finance arises, the Group will borrow in sterling at fixed and/or floating rates as appropriate. As the Group's balance sheet is ungeared there is no need to use interest rate swaps or other derivative instruments to manage the risk.

Liquidity risk

As regards liquidity, the Group's balance sheet is ungeared and liquidity risk is not significant.

Foreign currency risk

The Group's overseas associated undertakings operate in Morocco and are denominated exclusively in Dirhams. No financial instruments have been used to hedge the net investment against movements in the Dirham/Sterling exchange rate. This exposure will continue to be monitored as the scale of the Group's overseas operations develop in the coming years.

All sales of the UK business are denominated in sterling.

19 Financial instruments (continued)

Interest rate risk profile of financial assets and financial liabilities

Financial assets

The Group's financial assets, other than short term debtors consist of short term deposits, loan to associate and cash at bank and in hand.

The interest rate risk profile of the financial assets of the Group at 30 September was:

	Totals		**Fixed rate**		**Variable rate**		**No interest**	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Short term deposits	**2,000**	1,466	**2,000**	1,466	-	-	-	-
Loan to associate	**415**	415	-	-	-	-	**415**	415
Cash at bank and in hand	**214**	105	-	-	**214**	105	-	-
	2,629	1,986	**2,000**	1,466	**214**	105	**415**	415

Further analysis of the interest rate profile at 30 September:

	Totals		**Weighted average interest receivable rate at year end**		**Weighted average period for which the rate is fixed**	
	2002	2001	**2002**	2001	**2002**	2001
	£'000	£'000	**%**	%	**months**	months
Short term deposits	**2,000**	1,466	**3.7**	3.6	**1**	1

The sterling cash deposits comprise deposits placed on money markets at monthly fixed rates. The floating rate cash earns interest based on LIBID. The loan to associated undertaking, Alyco 2 SA, is unsecured, interest free and repayable in instalments by 30 September 2008.

Financial liabilities

The interest rate profile of the financial liabilities of the Group at 30 September was:

	Totals		**Fixed rate**		**Variable rate**	
	2002	2001	**2002**	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Bank overdraft	**16**	4	**-**	-	**16**	4
Finance leases	**12**	40	**12**	40	**-**	-
	28	44	**12**	40	**16**	4

Further analysis of the interest rate profile at 30 September:

	Totals		**Weighted average interest receivable rate at year end**		**Weighted average period for which the rate is fixed**	
	2002	2001	**2002**	2001	**2002**	2001
	£'000	£'000	**%**	%	**months**	months
Finance leases	**12**	40	**6.5**	6.5	**2**	12

19 Financial instruments (continued)

Currency exposures and hedges

Associated undertakings do not carry monetary assets and liabilities in currencies other than their local currency. Forward foreign exchange contracts by the Group are used when required to hedge specific future purchases. The only currency exposure at 30 September 2002 and 30 September 2001 arises from the Group's net investment in its associated undertakings.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, other than short term creditors and accruals at 30 September 2002 was as follows:

	2002 Bank overdraft £'000	**2002 Finance leases £'000**	**2002 Total £'000**	2001 Bank overdraft £'000	2001 Finance leases £'000	2001 Total £'000
In one year or less, or on demand	**16**	**12**	**28**	4	29	33
In more than one year but not more than two years	**-**	**-**	**-**	-	11	11
	16	**12**	**28**	4	40	44

Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available, but undrawn, at 30 September 2002 in respect of which all conditions precedent had been met were as follows:

	2002 £'000	2001 £'000
Expiring in one year or less	**200**	1,368

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 30 September.

	2002 Book value £'000	2001 Book value £'000	**2002 Fair value £'000**	2001 Fair value £'000
Assets				
Short term deposits	**2,000**	1,466	**2,000**	1,466
Loan to associate	**415**	415	**415**	415
Cash at bank and in hand	**214**	105	**214**	105
Liabilities				
Overdrafts	**16**	4	**16**	4
Finance leases	**12**	40	**12**	40

The fair value of the financial assets and financial liabilities approximates to the carrying amount because of the short maturity of these instruments.

20 Obligations under finance leases

		Group and Company	
		2002	2001
		£'000	£'000
(a)	**Finance leases**		
	Amounts payable:		
	Within one year	**12**	33
	Within two to five years	**-**	11
		12	44
	Less finance charges allocated to future periods	**-**	(4)
		12	40

	£'000	£'000
Creditors: amounts falling due within one year - note 16	**12**	29
Creditors amounts falling due after more than one year - note 17	**-**	11
	12	40

		Group and Company	
		2002	2001
		£'000	£'000
(b)	**Operating leases**		
	Land and buildings:		
	Annual commitments under non-cancellable operating leases which expire:		
	Within two to five years	**29**	29
	After five years	**18**	18
		47	47

21 Provisions for liabilities and charges

	Group and Company
	Deferred taxation
	£'000
Movement during year:	
At 30 September 2001	36
Charge to the profit and loss account	56
At 30 September 2002	**92**

	Provision made		Amounts unprovided	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Deferred taxation:				
Accelerated capital allowances	**(10)**	(17)	**-**	-
Other timing differences	**102**	53	**-**	-
	92	36	**-**	-

22 Called up share capital

	Group and Company	
	2002	2001
	£'000	£'000
Authorised		
5,000,000 ordinary shares of 20p each	**1,000**	1,000
Allotted, called up and fully paid		
3,750,000 ordinary shares of 20p each	**750**	750

23 Reserves

	Group	Company
	£'000	**£'000**
Profit and loss account		
At 30 September 2001	6,592	6,386
Net exchange adjustments	(1)	-
Retained profit for year	236	193
At 30 September 2002	**6,827**	**6,579**

Movement in Shareholders' funds

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Profit for the financial year	**429**	460	**386**	494
Dividends	**(193)**	(212)	**(193)**	(212)
Net exchange adjustments	**(1)**	1	**-**	-
Net increase in shareholders' funds	**235**	249	**193**	282
Opening shareholders' funds	**7,342**	7,093	**7,136**	6,854
Closing shareholders' funds	**7,577**	7,342	**7,329**	7,136

24 Financial commitments

At 30 September 2002 forward exchange contracts to purchase currency, for normal trading purposes, amounted to £1,073,000 (2001: £1,152,000). The directors consider that no loss is expected to arise.

25 Pension commitments

(a) SSAP 24 Pension Costs

The Group operates two pension schemes. The major scheme is a funded defined benefit scheme, the assets of which are held in separate trustee administered funds. This scheme was closed to new members on 31 July 2000.

Defined benefit scheme

The pension cost is assessed in accordance with the advice of professionally qualified independent actuaries using the attained age method, an appropriate funding method for a closed scheme. The most recent full actuarial assessment of the scheme was as at 1 August 2001. The assumptions that have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment return would be 7% per annum pre-retirement and 5% per annum post-retirement and that salary increases would average 4% per annum. Pension increases take some account of inflation.

At the date of the most recent actuarial valuation, the market value of the assets of the scheme was £4,915,000 which represented 75% of the benefits that had accrued to members in respect of service to date after allowing for expected future increases in earnings. The actuary recommended a Company contribution rate of 17.6% and an employee contribution rate of 4.5%, but where appropriate, higher contributions are paid to take account of the enhanced pension rights of certain employees. At the valuation date the Minimum Funding Requirement funding ratio was 84% which corresponds to a past service deficit of £923,000. The actuary has recommended that, with effect from 1 April 2002, an additional contribution of £238,800 per annum be paid until 1 April 2005 and £103,200 per annum thereafter until 1 April 2012 to allow for the past service deficit on the Minimum Funding Requirement basis.

The method of calculating the pension cost charged against profits seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable salary roll in the light of current actuarial assumptions. Variations from regular cost have been spread over the average remaining service lives of current employees in the scheme as fixed monetary amounts. The Group pension charge for the year was £295,000 (2001: £231,000). Included in prepayments is £342,000 (2001: £169,000) relating to company contributions to the scheme.

Defined contribution scheme

The total pension cost of the Group was £44,000 (2001: £35,000). The assets of the scheme are held separately from those of the Group in an independently administered fund.

(b) FRS 17 Retirement Benefits

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 August 2001 and updated to 30 September 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	30 September 2002	30 September 2001
	%	%
Rate of increase in salaries	**3.25**	3.50
Rate of increase in pension in payment	**3.50**	2.50
Increases to deferred benefits during deferment	**2.25**	2.50
Discount rate	**5.50**	6.00
Inflation	**2.25**	2.50

25 Pension commitments (continued)

(b) FRS 17 Retirement Benefits (continued)

The assets in the schemes and the expected rates of returns at 30 September were:

	Long-term rate of return expected at 30 September 2002	**Value at 30 September 2002 £'000**	Long-term rate of return expected at 30 September 2001	Value at 30 September 2001 £'000
Equities	**7.5%**	**2,896**	7.0%	3,366
Cash	**3.5%**	**124**	3.5%	347
Bonds	**5.0%**	**579**	6.0%	444
Property	**6.0%**	**130**	6.0%	345
Total		**3,729**		4,502

The following amounts at 30 September were measured in accordance with the requirements of FRS17:

	2002 £'000	2001 £'000
Total market value of assets	**3,729**	4,502
Present value of the scheme liabilities	**(6,635)**	(5,965)
Deficit in the schemes	**(2,906)**	(1,463)
Related deferred tax asset	**872**	439
Net pension liability	**(2,034)**	(1,024)

The assets and liabilities in respect of those pensioners whose benefits have been bought out with an insurance company have not been included in the total asset and liability figures for the scheme. This would not affect the pension liability shown above.

If the above amounts had been recognised in the financial statements, the Group's and Company's net assets and profit and loss reserve at 30 September would have been as follows:

	Group 2002 £'000	Group 2001 £'000	**Company 2002 £'000**	Company 2001 £'000
Net assets excluding pension asset	**7,235**	7,173	**6,987**	6,967
Pension liability	**(2,034)**	(1,024)	**(2,034)**	(1,024)
Net assets including pension liability	**5,201**	6,149	**4,953**	5,943
Profit and loss reserve excluding pension asset	**6,485**	6,423	**6,237**	6,217
Pension liability	**(2,034)**	(1,024)	**(2,034)**	(1,024)
Profit and loss reserve including pension liability	**4,451**	5,399	**4,203**	5,193

25 Pension commitments (continued)

(b) FRS 17 Retirement Benefits (continued)

The following amounts would have been recognised in the performance statements in the year to 30 September 2002 under the requirements of FRS 17:

	£'000
Operating profit	
Current service cost	**75**
Past service cost	**-**
Total operating charge	**75**
Other finance expense	
Expected return on pension scheme assets	**295**
Interest on pension scheme liabilities	**(351)**
Net expense	**(56)**
Statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	**(1,081)**
Experience gains and losses arising on the scheme liabilities	**(218)**
Changes in assumptions underlying the present value of the scheme liabilities	**(479)**
Actuarial loss recognised in Statement of Total Recognised Gains and Losses	**(1,778)**

	£'000
Movement in deficit during the year	
Deficit in scheme at beginning of the year	**(1,463)**
Movement in year:	
Current service cost	**(75)**
Contributions	**466**
Other finance expense	**(56)**
Actuarial loss	**(1,778)**
Deficit in scheme at end of the year	**(2,906)**

Details of experience gains and losses for the year to 30 September 2002	
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	**(1,081)**
Percentage of scheme assets	**29.0%**
Experience gains and losses on scheme liabilities:	
Amount (£'000)	**(218)**
Percentage of the present value of the scheme liabilities	**3.3%**
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	**(1,778)**
Percentage of the present value of the scheme liabilities	**26.8%**

26 Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	£'000	£'000
Operating profit	**293**	323
Depreciation charge	**92**	99
Profit on sale of tangible fixed assets	**(2)**	-
Decrease in stock	**317**	1,000
Decrease in debtors	**433**	518
(Decrease)/increase in creditors and provisions	**(396)**	232
Outflow in relation to reorganisation costs	**-**	(165)
Net cash inflow from operating activities	**737**	2,007

27 Reconciliation of net cash flow to movement in net funds/(debt)

	2002	2001
	£'000	£'000
Increase in cash in year	**97**	420
Movements in deposits	**534**	1,466
Cash inflow from decrease in debt and lease financing	**28**	28
Change in net funds resulting from cash flows	**659**	1,914
Net funds/(debt) at 30 September 2001	**1,527**	(387)
Net funds at 30 September 2002	**2,186**	1,527

28 Analysis of changes in net funds

	30 September 2001 £'000	**Cash flow £'000**	**30 September 2002 £'000**
Cash at bank and in hand	105	**109**	**214**
Bank overdraft	(4)	**(12)**	**(16)**
	101	**97**	**198**
Short term deposits due within one year	1,466	**534**	**2,000**
Finance leases	(40)	**28**	**(12)**
	1,527	**659**	**2,186**

29 Related party transactions

During the year the Group had the following transactions and balances with related parties:

Related party	Purchases from related party £'000	Amounts owed to related party in respect of trading balances £'000	Amounts owed by related party in respect of trading balances £'000	Amounts due from related party in respect of loans £'000
Alyco SA:				
2002	**2,302**	**338**	**100**	**-**
2001	1,778	165	10	-
Alyco 2 SA:				
2002	**1,291**	**14**	**104**	**415**
2001	1,060	46	71	415

During the year Albion PLC sold one motor vehicle to WA Moore, a non-executive director of the Group. The proceeds which have been received in full amounted to £2,000. The net book value of this vehicle at the time of sale was £4,000.

30 Contingent liabilities

The shares held in associated company, Alyco SA, have been pledged as security for the bank borrowings of Alyco 2 SA. The potential liability as at 30 September amounted to £270,000 (2001: £546,000).

31 Post balance sheet event

On 28 October 2002 the Group purchased 100,000 of its own shares for cancellation.

Independent auditors' report to the members of Albion PLC

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet , the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Northern Ireland law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for and only for the company's members in accordance with the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the directors' report and the report of the remuneration committee.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds
24 January 2003

Five year financial review

	2002	2001	2000	1999	1998
	£'000	£'000	£'000	£'000	£'000
Turnover	**17,929**	18,544	18,773	18,256	20,594
Operating profit	**293**	323	193	330	353
Exceptional income	**-**	-	-	2,664	-
Exceptional costs	**-**	-	-	(533)	-
Share of profits of associated undertakings	**155**	126	260	79	100
Amounts written off investments - reversal	**20**	-	-	-	-
Net interest	**65**	30	29	29	(77)
Profit before taxation	**533**	479	482	2,569	376
Taxation	**(104)**	(19)	(6)	(278)	(71)
Profit attributable to shareholders	**429**	460	476	2,291	305
Dividend	**(193)**	(212)	(165)	(1,859)	(124)
Retained profit	**236**	248	311	432	181
Capital employed	**7,577**	7,342	7,093	6,782	6,350
Earnings per share	**11.9p**	12.8p	13.3p	63.8p	8.6p
Dividend per share	**5.5p**	5.9p	4.6p	51.8p	3.3p
Net assets per share	**211.1p**	204.5p	197.6p	188.9p	180.1p

Balances in prior years have not been restated for new accounting standards subsequently issued.